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Glastonbury, CT
March 3, 2022
Finance Revenue and Bonding Committee

Testimony in support of:
SB 21 AN ACT CONCERNING A STATE-WIDE PROPERTY TAX
ON CERTAIN RESIDENTIAL REAL PROPERTY
SB 28 AN ACT ESTABLISHING A CAPITAL GAINS SURCHARGE
SB 29 AN ACT CONCERNING THE EARNED INCOME TAX CREDIT

Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman, and the distinguished members of the Finance, Revenue and Bonding Committee. I am the Rev. Josh Pawelek. I am the minister of the Unitarian Universalist Society: East in Manchester and a resident of Glastonbury. I am here today with Recovery for All, a statewide coalition of faith, community, and labor organizations united to eliminate systemic inequalities and build a better, more fair, more just, more equitable Connecticut. Thank you for the opportunity to testify in support of SB 21, SB 28 and SB 29.

The reason I am here is because our state has failed to address its staggering income inequality. There is no way to put a positive spin on it. We have failed. And one of the areas where we have failed most profoundly is in our tax code. All last session we were talking about this failure as it manifested in the data from the 2014 state tax incidence analysis. Now we have, hot off the presses, the 2022 tax incidence analysis. The data speak loudly and clearly. As Keith Phaneuf wrote in Monday's *CT Mirror*: "People who earned less than $44,758 in 2019 effectively lost nearly 26% of their earnings to taxes, nearly four times the rate paid by Connecticut's wealthiest families…. Those making between $44,758 and $74,688 paid nearly three times that of those at the top." Phaneuf pointed out that this analysis has consistently been swept under the rug. We cannot afford this level of denial anymore. The unfairness is staggering. It is immoral. And in a country established to enable its people in their pursuit of life, liberty and happiness, I say it is anti-American.

If we want a recovery for all; if we want a state that can make bold, sustainable investments in housing, education, health care, homecare, mental health and addiction resources and services, job creation, environmental protection—all the things that make life easier for poor, working and middle class people—then we need a more fair, a more balanced, a more equitable tax system.

SB 21 AN ACT CONCERNING A STATE-WIDE PROPERTY TAX ON CERTAIN RESIDENTIAL REAL PROPERTY would establish a statewide property tax of 2 mills on homes with an assessed value of $1.2 million or more and dedicate that revenue to special education costs and school desegregation initiatives. It could raise about $86 million annually.

SB 28 AN ACT ESTABLISHING A CAPITAL GAINS SURCHARGE would establish a 1% surcharge on capital gains earnings for households earning over $1 million and individuals who earn at least $500,000. It could raise $130 million annually.

SB 29 AN ACT CONCERNING THE EARNED INCOME TAX CREDIT, would permanently expand the state EITC from 30.5% to 41.5%, providing relief to households with low incomes and enhancing economic growth and household spending. This increase would cost $74 million annually, but for every dollar spent on EITC, the credit generates at least $1.24 for the economy.

These bills are a beginning, a gesture, a bare minimum that points us away from our failure to address income inequality. They aren't enough, but they will make a difference. In addition to these three bills, Recovery For All urges legislators to also:

- **Establish a state-level child tax credit.** The extremely successful federal child tax credit has expired. Connecticut should establish a credit of $600 per child (up to $1,800 per year) for families earning less than $210,000 to help build economic security and improve longer-term health and well-being. **For every $1 spent, the child tax credit would infuse $1.38 into the state economy.**
- **Double the property tax credit to $400** and expand it to all households within current income limits. This would make homeownership more affordable and help low- and middle-income households build wealth.
- **Deliver pandemic pay to essential workers.** The American Rescue Plan Act designated funds to provide premium pay to essential workers to recognize risks they have taken to care for our sick and keep our economy moving. It will also encourage them to remain on the job. Connecticut's essential workers must have access to the funds that the federal government has earmarked for them. Since many are low-wage earners, premium pay would likely be spent in local economies, contributing to further economic growth.
- **Create a 10% digital advertising tax on giant tech corporations with income over $10 billion.** Big technology companies can access our contacts and social media activity and show us ads for products with the assumption that we have similar interests and desires. Google, Facebook and Amazon maximize their profits by surveilling, collecting, and reselling data to target online advertising to the people of Connecticut and sell people things they weren't explicitly seeking. Creating a digital ad tax would generate approximately $140 million annually.
- **Restore the estate tax to pre-Great Recession levels.** By reducing the estate tax exemption to $2 million, eliminating the payment cap, and increasing rates would generate $162 million annually for the state budget.
- **Increase the corporation income tax rate from 7.5% to 11.5%** and extend the surtax to 20% for corporations with incomes of $100 million or more. Asking multi-million dollar corporations across Connecticut to pay what they owe would generate between $250 million and $300 million annually.
- **Raise personal income tax rates on high earners.** Those with incomes over $500,000/year should pay 8.82%, and those with incomes over $1 million/year should pay 12.69%. Making

Connecticut’s personal income tax rates fairer and more competitive with neighboring states would generate approximately $1.75 billion annually.

- **Establish the Connecticut Equitable Investment Council to distribute revenues for programs in underserved communities.** The fund would receive earmarked funds to support the growth of the state’s economy through investments-in-place programs and strategies that include, but are not limited to (1) building wealth in traditionally underserved communities; (2) reducing income inequality; (3) retaining and attracting talent to the state by increasing the availability of venture capital; and (4) working with the state to reduce municipal reliance on property taxes.

Respectfully submitted,

Rev. Josh Pawelek